

CASCADE CHRISTIAN SERVICES
FINANCIAL STATEMENTS

DECEMBER 31, 2012

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
Cascade Christian Services

We have reviewed the accompanying balance sheet of Cascade Christian Services, as of December 31, 2012 and 2011, and the related statements of income and retained earnings and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Agency management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

July 25, 2013

CASCADE CHRISTIAN SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 840,054	\$ 833,623
Accounts receivable	486,423	439,738
Fundraising Supplies	5,360	5,360
Prepaid expenses	22,891	15,643
Employee advances	(103)	1,718
Total current assets	<u>1,354,625</u>	<u>1,296,082</u>
PROPERTY AND EQUIPMENT, net	829,479	810,551
OTHER ASSETS		
Deposits	<u>4,000</u>	<u>4,000</u>
TOTAL ASSETS	<u><u>\$ 2,188,104</u></u>	<u><u>\$ 2,110,633</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 39,181	\$ 23,838
Accrued liabilities	<u>431,316</u>	<u>409,153</u>
Total current liabilities	470,497	432,991
TOTAL LIABILITIES	<u>470,497</u>	<u>432,991</u>
NET ASSETS		
Temporarily restricted	19,205	43,211
Unrestricted	<u>1,698,402</u>	<u>1,634,431</u>
TOTAL NET ASSETS	1,717,607	1,677,642
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,188,104</u></u>	<u><u>\$ 2,110,633</u></u>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS:		
SUPPORT, REVENUE AND RECLASSIFICATIONS:		
Government funding for services to clients	\$ 3,151,234	\$ 2,848,090
Janitorial services-government agencies	544,393	537,218
Janitorial services-private contracts	178,873	214,825
Client participation funding	179,719	169,449
Rental income	15,440	15,040
Contributions, gifts, and grants	72,648	66,996
Other services	39,685	46,560
Vocational services-private contracts	2,800	3,150
Homecare services-private contracts	81,454	15,319
Training services	5,427	-
Miscellaneous income	2,324	8,079
Interest income	3,746	5,318
Special Events, less direct costs, \$733	978	-
Total support and revenue	<u>4,278,721</u>	<u>3,930,044</u>
Reclassifications of funds used for designated purpose	24,006	39,501
Total support, revenue and reclassifications	<u>4,302,727</u>	<u>3,969,545</u>
EXPENSES		
Program services	3,863,497	3,480,636
Administrative	361,221	324,667
Fundraising	14,038	10,839
Total expenses	<u>4,238,756</u>	<u>3,816,142</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	63,971	153,403
TEMPORARILY RESTRICTED NET ASSETS:		
Grants and contributions	-	6,875
Reclassified when used for designated purpose	(24,006)	(39,501)
Increase in temporarily restricted net assets	<u>(24,006)</u>	<u>(32,626)</u>
INCREASE IN NET ASSETS	39,965	120,777
NET ASSETS, beginning of year	<u>1,677,642</u>	<u>1,556,865</u>
NET ASSETS, end of year	<u>\$ 1,717,607</u>	<u>\$ 1,677,642</u>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program		Fund	2012 Totals
	Services	Administrative	Raising	
Salaries and wages	\$ 2,689,902	\$ 162,066	\$ 4,215	\$ 2,856,183
Payroll taxes	323,554	13,568	367	337,489
Employee benefits	261,576	49,324	1,399	312,299
Occupancy	170,961	27,798	-	198,759
Office expenses	47,095	17,379	4,347	68,821
Transportation	84,270	2,884	-	87,154
Client activities	101,483	-	-	101,483
Depreciation	81,335	-	-	81,335
B&O taxes	6,093	-	-	6,093
Insurance	18,336	4,007	-	22,343
Hiring expense	2,846	-	-	2,846
Conferences/ meetings	33,518	1,395	-	34,913
Professional fees	39,459	59,861	-	99,320
Advertising	-	340	3,710	4,050
Information technology	3,069	7,806	-	10,875
Miscellaneous	-	14,313	-	14,313
Interest	-	480	-	480
TOTAL EXPENSES	\$ 3,863,497	\$ 361,221	\$ 14,038	\$ 4,238,756

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	Program Services	Administrative	Fund Raising	2011 Totals
Salaries and wages	\$ 2,371,998	\$ 120,670	\$ 4,215	\$ 2,496,883
Payroll taxes	305,404	10,275	392	316,071
Employee benefits	232,349	44,581	1,441	278,371
Occupancy	145,279	33,135		178,414
Office expenses	31,375	24,833	1,310	57,518
Transportation	92,806	2,648		95,454
Client activities	100,391			100,391
Depreciation	89,462			89,462
Administrative	-	9,295		9,295
Insurance	17,230	3,832		21,062
Hiring expense	5,629			5,629
Conferences/ meetings	33,164	759		33,923
Professional fees	30,973	65,803		96,776
Business taxes	21,884			21,884
Advertising		72	3,481	3,553
Information technology	2,692	8,067		10,759
Miscellaneous				-
Interest		697		697
TOTAL EXPENSES	\$ 3,480,636	\$ 324,667	\$ 10,839	\$ 3,816,142

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Increase (Decrease) In Cash	2012	2011
		<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets		\$ 39,965	\$ 120,777
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation		81,335	89,462
(Gain) Loss on disposition of equipment		1,653	
Changes in operating assets and liabilities:			
Accounts receivable		(46,685)	(108,305)
Prepaid expenses		(7,248)	(4,757)
Accounts payable		15,343	13,992
Accrued liabilities		22,163	70,808
Net cash provided by operating activities		<u>106,526</u>	<u>181,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment		725	-
Purchase of property and equipment		(102,641)	(78,179)
Net cash used in investing activities		<u>(101,916)</u>	<u>(78,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances to employees		1,821	(1,718)
Net cash from financing activities		<u>1,821</u>	<u>(1,718)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		6,431	102,080
CASH AND CASH EQUIVALENTS, beginning of year		<u>833,623</u>	<u>731,543</u>
CASH AND CASH EQUIVALENTS, end of year		<u>\$ 840,054</u>	<u>\$ 833,623</u>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Cascade Christian Services, the Agency, is a not-for-profit corporation that is committed to the well-being of the disabled population in Western Washington, specifically serving individuals with disabilities in Whatcom and Skagit Counties. The Agency provides community-based residential and individualized vocational services to people with disabilities. The different branches of the Agency are the following: Cascade Christian Home, Cascade Vocational Services, Cascade Supported Living, Cascade Home Care, Pine Street Home, and Crestview.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term investment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Agency. The Agency is permitted to use the income earned on the related investments for general or specified operating purposes. The Agency did not have any permanently restricted net assets as of December 31, 2012 and 2011.

Concentration of credit risk – At December 31, 2012 and 2011, the Agency had cash deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounts receivable – Accounts receivable are recorded at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management bases its estimates of doubtful accounts on several factors. These factors include prior experience collecting receivables, the aging of the receivables at the year end, the debtor’s ability to repay the amount owed, and management’s appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectibility.

The Agency does not accrue finance charge income on past due accounts receivable.

Cash and cash equivalents – The Agency considers investments in financial instruments with a maturity of less than three months to be cash equivalents.

Property and equipment - Property and equipment are recorded at cost. Repair and maintenance expenditures are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions of property and equipment are included in operations in the year of disposal. The Agency’s policy is to capitalize property and equipment when cost exceeds \$2,000.

Depreciation – Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated materials, equipment, and services – Accounting standards require donated materials and equipment, as well as services contributed by professionals and craftsmen that require specialized skills, to be recognized as in-kind income and expenses. For the years ended December 31, 2012 and 2011, there were no such donated items or services. Contributed services for that do not require specialized skills are not recognized in the financial statements. A substantial number of volunteers have donated significant amounts of time to the Agency’s programs and operations.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Leases – Leases meeting certain criteria are considered capital leases and the related asset and lease obligation are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

Federal income tax – The Agency is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and therefore is subject to income taxes on unrelated business income, if any. Revenue related to its organizational purpose is exempt from federal tax.

NOTE 2. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k). The Plan covers substantially all employees and features an elective salary deferral program. The Agency will match employee’s elective salary deferral contributions to the Plan up to a maximum of 3 to 6 percent of an employee’s annual compensation based on hours worked and years of service. The amount contributed by the Agency totaled \$36,985 and \$34,782 for the years ended December 31, 2012 and 2011, respectively.

NOTE 3. MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

	2012	2011
Vocational services	\$ -	\$ 3,150
Gain/(loss) from sale of property	(1,653)	-
Other income/(expense)	3,973	8,079
Total	<u>\$ 2,320</u>	<u>\$ 11,229</u>

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

	2012	2011
Land and land improvements	\$ 121,424	\$ 121,424
Buildings	1,507,562	1,452,686
Vehicles	222,565	187,417
Furniture and fixtures	16,787	15,598
Machinery and equipment	21,976	21,976
	1,890,314	1,799,101
Total property and equipment	1,890,314	1,799,101
Less accumulated depreciation	(1,060,835)	(988,550)
	\$ 829,479	\$ 810,551
Net property and equipment	\$ 829,479	\$ 810,551

NOTE 5. CONCENTRATION

The Agency receives a substantial amount of its support and revenue from federal, Washington State, and Whatcom County funding to provide residential and vocational services to adults with disabilities. These funding sources are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

NOTE 6. OPERATING LEASE

The Agency has entered into a lease for its State Street space. The lease is classified as an operating lease and requires monthly rental payments of \$4,600, expiring August 31, 2014. Effective April 15, 2012, The Agency entered into a noncancellable operating lease for office space in Ferndale, Washington. The lease provides for minimum monthly rental payments of \$2,800, expiring April 30, 2017. Following are minimum annual rental payments under these noncancelable operating leases over each year until they expire:

Years ending December 31,		
2013	\$	88,800
2014	\$	70,400
2015	\$	33,600
2016	\$	33,600
2017		11,200
Total minimum future rental obligations	\$	237,600

Rent expense, including triple-net charges, under this operating lease totaled \$86,000 and \$63,600 during the years ended December 31, 2012 and 2011, respectively.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Donors designated contributions that were used for the following:

	<u>2012</u>	<u>2011</u>
Bequeathed to Cascade Christian Home	\$ 24,006	\$ 28,404
Bequeathed to Crestview Home	-	11,097
Total	<u>\$ 24,006</u>	<u>\$ 39,501</u>

NOTE 8. SUBSEQUENT EVENTS

Management of the Agency has evaluated events and transactions occurring after December 31, 2012 through July 25, 2013, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements.

NOTE 9. RELATED PARTY TRANSACTIONS

The Agency periodically does business with vendors that are affiliated with certain Agency staff members, using a competitive bidding process. During 2012 and 2011 such transactions totaled \$4,666 and \$18,988, respectively.

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2012 is as follows:

Less than 30 days	\$ 401,260
31-60 days	69,785
61-90 days	2,539
Over 90 days	<u>12,839</u>
Total	<u>\$ 486,423</u>